



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

UNITEDHEALTHCARE OF UTAH, INC.

of

Salt Lake City, Utah

as of

December 31, 2021

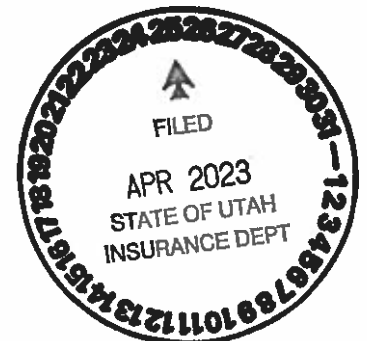


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April 13, 2023

Honorable Jonathan T. Pike, Commissioner

Utah Insurance Department

4315 S 2700 W, Suite 2300

Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with statutory requirements, a coordinated multi-state examination, as of December 31, 2021, has been made of the financial condition and business affairs of:

UnitedHealthcare of Utah, Inc.

Salt Lake City, Utah

hereinafter referred to in this report as “the Company” and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The last full scope examination of the Company was as of December 31, 2016. This full scope examination of the Company was conducted by representatives of the Utah Insurance Department (“Department”) and covers the period of January 1, 2017, through December 31, 2021, including any material transactions and/or events occurring after the examination date and noted during the examination. This is a coordinated examination led by representatives of the Connecticut Insurance Department, regulators of the Company’s parent company, UnitedHealth Group (“UHG”).

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and

evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204(7)(a) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings for inclusion in this examination report.

SUBSEQUENT EVENTS

Officers: In 2022, Susan E. Vogel replaced Robert J. Gregoire as Chief Financial Officer, and Jessica L. Zuba was appointed as Secretary.

Dividends: The Company paid an ordinary cash dividend of \$11,000,000 on September 23, 2022. On December 19, 2022, the Company paid another \$15,000,000 in extraordinary cash dividend to its parent, which the Department approved on December 5, 2022.

Novation Agreement: Effective January 1, 2022, the Company novated its Centers for Medicare and Medicaid Services ("CMS") contracts to another Utah domicile affiliate, UnitedHealthcare of the Rockies, Inc. ("UHCRO"). The Medicare revenue associated with the novation represented 100% of total direct premiums written as of December 31, 2021. The novation agreements resulted in full control of the contracts being transferred to UHCRO at \$0 net book value for dates of service on or after January 1, 2022. Approval of the novation was received from CMS, and approval for the asset transfers related to the novation was received from the Department on February 12, 2021.

As a result of the novation, the Company's 2022 financial results drastically changed from that of 2021:

	2021	2022
Total Admitted Assets	\$257,325,821	\$99,604,026
Total Liabilities	\$146,497,219	\$10,473,050
Total Capital and Surplus	\$110,828,602	\$89,130,976
Total Revenues	\$1,233,584,732	(\$13,062,581)
Net Income or (loss)	\$32,337,695	\$5,650,431

COMPANY HISTORY

General

The Company was incorporated on March 16, 1984, under the name Physicians Health Plan of Utah. The Department issued a Certificate of Authority to the Company in August 1984 to operate as a health maintenance organization. Since then, the Company's ownership has changed several times. The Company became a wholly owned subsidiary of UnitedHealthcare, Inc ("UHI") in 2008. In 2009, the Company changed its name to UnitedHealthcare of Utah, Inc.

Dividends and Capital Contributions

The Company did not receive any capital contributions during the examination period.

The Company paid the following dividends to its parent during the examination period. The Department approved each of the dividends before they were issued.

2021	2020	2019	2018	2017
\$5,500,000	\$8,500,000	\$7,500,000	\$0	\$0

After the examination date, the Company paid \$26,000,000 in dividends to its parent (see SUBSEQUENT EVENTS section).

Mergers and Acquisitions

The Company was not involved in or affected by any mergers or acquisitions during the examination period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Directors

The Company's bylaws indicate that there shall be at least three (3) directors. The following persons served as directors of the Company as of December 31, 2021:

Name and Location	Title and Principal Occupation
Marc R. Briggs Salt Lake City, UT	Chair, President UnitedHealthcare of Utah, Inc.
Pamela J. Gold Salt Lake City, UT	Vice President of Sales and Account Management UnitedHealth Group, Inc.
Susan E. Vogel Las Vegas, NV	Vice President of Finance UnitedHealth Group, Inc.

Officers

The officers of the Company as of December 31, 2021, were as follows:

Name	Title
Marc R. Briggs	President
Robert J. Gregoire*	Chief Financial Officer
Peter M. Gill	Treasurer
Heather A. Lang	Assistant Secretary
Nyle B. Cottingham	Vice President
Donald J. Giancursio	President, Commercial Services Group

*See subsequent changes to officers in SUBSEQUENT EVENTS section.

Holding Company

The Company is part of a holding company system as defined in Utah Code §31A-16. The ultimate parent in the holding company system is UHG. The organizational chart below only reflects direct ownership of the Company:



TRANSACTIONS AND AGREEMENTS WITH AFFILIATES

The following are the most significant affiliated agreements and transactions in place as of December 31, 2021:

UnitedHealth Group, Inc. ("UHG"): The Company has a tax sharing agreement and a \$30,000,000 subordinated revolving credit agreement with UHG. Fees paid to UHG during the examination period are as follows:

2021	2020	2019	2018	2017
\$8,685,446	\$6,079,763	\$4,363,394	\$7,857,009	\$3,422,380

OptumInsight, Inc ("OptumInsight"): The Company has a services agreement with OptumInsight whereby OptumInsight provides claims analytics and recovery services, retrospective fraud, waste, and abuse services, subrogation services, and premium audit services to the Company. Fees paid for this service are as follows:

2021	2020	2019	2018	2017
\$1,396,773	\$271,868	\$222,921	\$256,586	\$23,464

OptumHealth Care Solutions, Inc. ("OptumHealth"): The Company has a services agreement with OptumHealth whereby OptumHealth manages a network of therapy providers and other administrative functions related to chiropractic, physical, occupational, and speech therapy for the Company's members. Fees paid for this service are as follows:

2021	2020	2019	2018	2017
\$230,360	\$86,200	\$64,872	\$71,311	\$89,809

United Behavioral Health (“UBH”): The Company has a services agreement with UBH whereby UBH arranges for the provision of certain mental health and substance abuse treatment services for the Company’s members. Fees paid for this service are as follows:

2021	2020	2019	2018	2017
\$5,020,783	\$1,263,922	\$763,389	\$724,491	\$352,170

OptumRx, Inc (“OptumRx”): The Company has a prescription drug benefit administration agreement with OptumRx for the provision of pharmacy benefits services to the Company’s members. Fees paid for this service are as follows:

2021	2020	2019	2018	2017
\$66,298,001	\$54,231,441	\$46,538,630	\$36,894,751	\$26,186,209

Dental Benefit Providers, Inc (“DBP”): The Company has a dental services agreement with DBP for the provision of dental services to the Company’s members. Fees paid for this service are as follows:

2021	2020	2019	2018	2017
\$1,682,804	\$1,362,099	\$451,641	\$813,828	\$982,884

Spectera, Inc and Specialty Benefits, LLC (“Spectera”): The Company has a vision services agreement with Spectera for the provision of vision services to the Company’s members. Fees paid for this service are as follows:

2021	2020	2019	2018	2017
\$571,965	\$368,936	\$462,860	\$367,682	\$286,600

LifePrint Health, Inc. (“LifePrint”): The Company has a health services agreement with LifePrint for the provision of medical services to the Company’s members. Fees paid for this service are as follows and were approved by the Department prior to the transaction:

2021	2020	2019	2018	2017
\$590,535,527	\$754,864,141	\$749,557,602	\$613,309,865	\$526,381,411

United HealthCare Services, Inc. (“UHS”): The Company has a management and operational services agreement with UHS for the provision of management and operational support to the Company. Fees paid for this service are as follows and were approved by the Department prior to the transaction:

2021	2020	2019	2018	2017
\$80,750,750	\$67,387,645	\$65,980,620	\$36,334,047	\$33,923,894

In addition, UHS maintains a private short-term investment pool in which affiliated companies may participate. On December 31, 2021, the Company's portion was \$128,633,645, and is included in cash equivalents in the financial statements.

XL Home, P.C. ("XLH"): Beginning in 2021, the Company has a health services agreement with XLH for the provision of medical services to the Company's members. Fees paid for this service were \$3,773,748 for 2021.

naviHealth, Inc. ("navi"): Beginning in 2021, the Company has a health services agreement with navi for the provision of post-acute care services to the Company's members. Fees paid for this service were \$3,374,856 for 2021.

UnitedHealthcare Insurance Company ("UHIC"): The Company has a ceded reinsurance arrangement for its commercial and Medicare business with UHIC (see REINSURANCE section).

TERRITORY AND PLAN OF OPERATION

The Company is licensed as a health maintenance organization and offers comprehensive commercial accident & health products to individual and employer groups in Utah and Idaho. The Company is also a plan sponsor offering Medicare Parts A, B, and D under contracts with Centers for Medicare and Medicaid Services ("CMS"). Effective January 1, 2022, the Company novated its CMS contracts to its affiliate, UnitedHealthcare of the Rockies, Inc. The Medicare revenue associated with the novation represented 100% of total direct premiums written as of December 31, 2021 (see SUBSEQUENT EVENTS section).

REINSURANCE

Assumed Reinsurance

The Company did not have any assumed reinsurance.

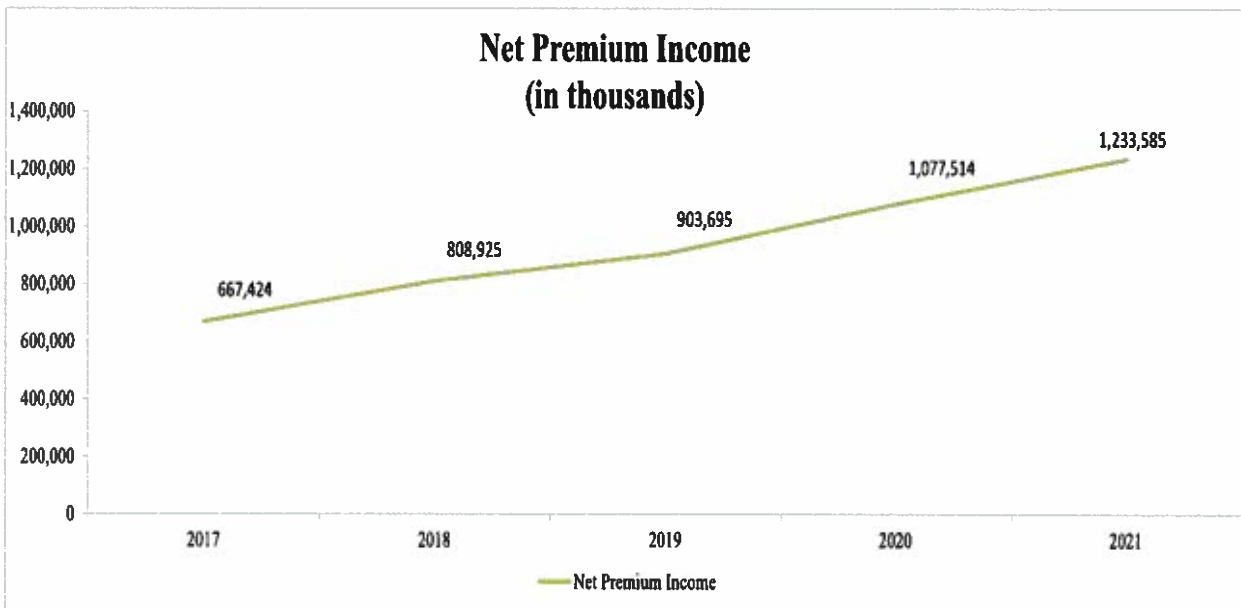
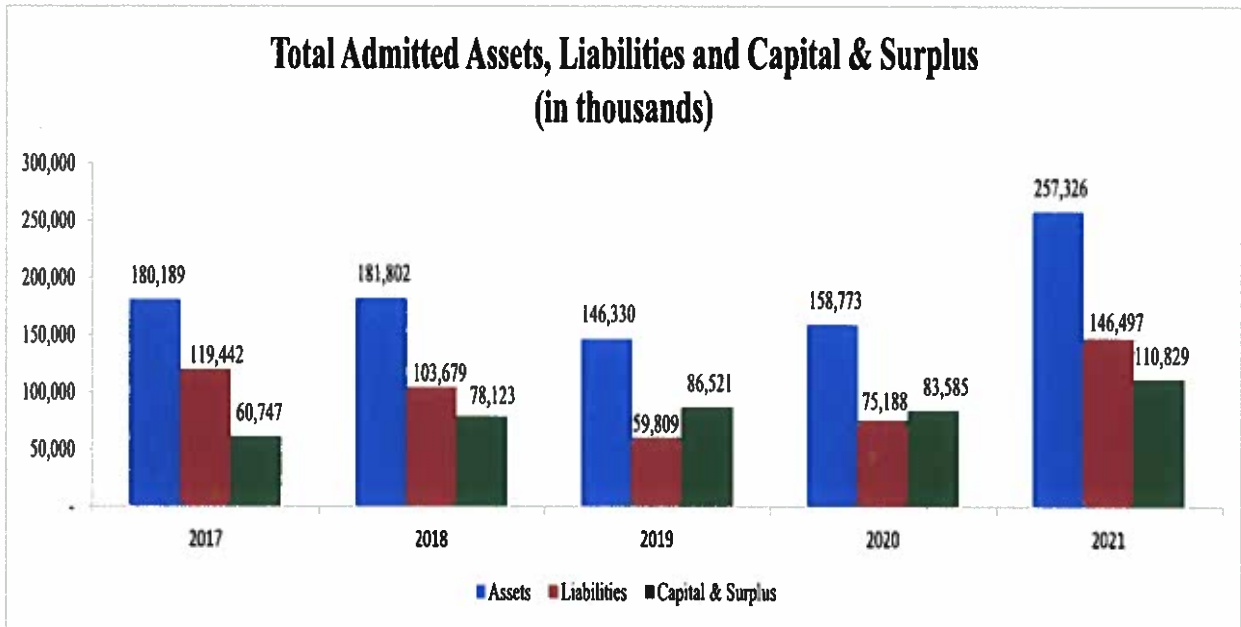
Ceded Reinsurance

The Company ceded its commercial and Medicare business to an affiliate, UnitedHealthcare Insurance Company ("UHIC"), as part of an insolvency agreement. The insolvency agreement only pays out in the event of the Company's insolvency and is in exchange for 0.1% of premium. There have not been any reinsurance recoveries during the examination period as the Company is not insolvent.

	2021	2020	2019	2018	2017
Premiums Ceded	\$1,238,154	\$1,079,676	\$901,800	\$811,366	\$669,494

GROWTH OF COMPANY

The Company has been in a stable financial condition for the duration of this examination as reflected in the following graphs. However, as of December 31, 2022, the Company's net premium income decreased to (\$13,062,581) due to the novation agreement with its affiliate (see SUBSEQUENT EVENTS section).



FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2021. The accompanying COMMENTS ON FINANCIAL STATEMENTS reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

UNITEDHEALTHCARE OF UTAH INC.

BALANCE SHEET
as of December 31, 2021

ASSETS

	Net Admitted Assets
Bonds	\$44,840,821
Cash and cash equivalents	129,782,639
Investment income due & accrued	266,663
Uncollected premiums in course of collection	1,341,781
Accrued retrospective premiums	34,341,486
Amounts receivable relating to uninsured plans	14,022,680
Net deferred tax asset	759,426
Receivables from parent, subsidiaries and affiliates	5,171,211
Healthcare and other amounts receivable	26,799,114
Total Assets	<u>\$ 257,325,821</u>

LIABILITIES, CAPITAL AND SURPLUS

	Current Year
Claims unpaid	83,381,170
Accrued medical incentive pool and bonus amounts	29,079,463
Unpaid claims adjustment expenses	460,360
Aggregate health policy reserves	21,256,389
Aggregate health claim reserves	85,365
Premiums received in advance	172,779
General expenses due or accrued	1,209,736
Current federal and foreign income tax payable and interest thereon	1,697,988
Ceded reinsurance premiums payable	101,820
Remittances and items not allocated	19,004
Liability for amounts held under uninsured plans	9,033,145
Total Liabilities	<u>\$ 146,497,219</u>
Common capital stock	1,000,000
Gross paid in and contributed surplus	46,467,539
Unassigned funds (surplus)	63,361,063
Total Capital and Surplus	<u>110,828,602</u>
Total Liabilities, Capital and Surplus	<u>\$ 257,325,821</u>

UNITEDHEALTHCARE OF UTAH INC.
STATEMENT OF REVENUE AND EXPENSES
for the Year Ended December 31, 2021

REVENUES

Member months	1,253,831
Net premium income	\$1,233,584,732
Change in unearned premium reserves	(3,653,734)
Total Revenues	<u>1,229,930,998</u>

EXPENSES

Hospital/medical benefits	958,609,967
Other professional services	18,882,935
Prescription drugs	54,462,185
Incentive pool, withhold adjustments and bonus	39,469,880
Total hospital & medical	<u>1,071,424,967</u>
Claims adjustment expenses	33,410,155
General administrative expenses	87,738,776
Total underwriting deductions	<u>1,192,573,898</u>
Net underwriting gain (loss)	37,357,100
Net investment income earned	2,015,933
Net realized capital gains (losses)	1,529,137
Net investment gain (loss)	3,545,070
Net gain or (loss) from agents' or premium balances charged off	(277,527)
Aggregate write-ins for other income or expenses	(7,981)
Net income (loss) after capital gains tax	<u>40,616,662</u>
Federal and foreign income taxes incurred	8,278,967
NET INCOME	<u>\$32,337,695</u>

UNITEDHEALTHCARE OF UTAH INC.
RECONCILIATION OF CAPITAL AND SURPLUS
2017 through 2021

	2017	2018	2019	2020	2021
Capital and surplus, December 31, prior year	\$54,989,796	\$60,746,629	\$78,123,373	\$86,521,378	\$ 83,585,273
Net income (loss)	6,033,623	15,385,695	16,887,995	5,670,950	32,337,695
Change in net unrealized capital gains (losses)	(385)	59,238	(58,854)	0	0
Change in net deferred income tax	(172,750)	(285,423)	210,477	199,070	54,851
Change in nonadmitted assets	(103,655)	962,213	(1,141,613)	(306,125)	350,783
Surplus adjustments: Paid in	0	0	0	0	0
Dividends to stockholders	0	0	(7,500,000)	(8,500,000)	(5,500,000)
Aggregate write-ins for gains or (losses) in surplus	0	1,255,021	0	0	0
Net change in capital and surplus for the year	5,756,833	17,376,744	8,398,005	(2,936,105)	27,243,329
Capital and surplus, December 31, current year	\$60,746,629	\$78,123,373	\$86,521,378	\$83,585,273	\$ 110,828,602

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as of December 31, 2021, as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

There are no comments on financial statement items as of December 31, 2021, as a result of the examination.

ACKNOWLEDGEMENT

T. Michael Presley, FSA, MAAA, Risk & Regulatory Consulting, LLC, reviewed the Company's actuarial reserve. Cambria Shore, MSA, CFE, APIR, Examination Supervisor, Utah Insurance Department, supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the examination by officers and representatives of the Company.

Respectfully submitted,



Malis Rasmussen, MSA, CFE, SPIR

Chief Financial Examiner

Utah Insurance Department